

**COST RECOVERY SETTLEMENT AGREEMENT BETWEEN
THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND
ENVIRONMENTAL CONTROL
AND
ADVANCED COMPOSITE MATERIALS CORPORATION**

BLACKBERRY VALLEY LANDFILL SITE
BL&WM File # 52828; PCAS # 4949

CR-4949-__

This Cost Recovery Settlement Agreement (“Settlement Agreement”) is entered into between the South Carolina Department of Health and Environmental Control (the “Department”) and Advanced Composite Materials Corporation (collectively referred to a “ACMC”) with respect to the Blackberry Valley Landfill Site located in Greenville County, South Carolina, on Groce Road, approximately 1.5 miles from Intersection of S-199 and S-132, approximately 4.5 miles northwest of the City of Greenville, and approximately one mile east of Pickens County. The Blackberry Valley Landfill Site includes the Blackberry Valley Landfill and all areas where contamination has migrated from the landfill property (the “Site”).

WHEREAS, the Department, pursuant to authority of the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”) § 107(a), 42 U.S.C. § 9607(a), as amended, and the South Carolina Hazardous Waste Management Act (“SCHWMA”), S.C. Code Ann. § 44-56-200 (2002), has determined there has been a release or threat of release of hazardous substances as defined by § 101(14) of CERCLA at the Site;

WHEREAS, the Department has alleged that ACMC has generated and arranged for the disposal or treatment of hazardous substances released at the Site.

WHEREAS, the Department has alleged that ACMC, as a person that generated, and arranged for disposal of, hazardous substances released at the Site, is a liable party under § 107 of the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 U.S.C. § 9607 (2002), and the South Carolina Hazardous Waste Management Act

(“SCHWMA”), S.C. Code Ann. § 44-56-200 (2002). Nothing in this Settlement Agreement is intended to constitute an admission of liability by APMC.

WHEREAS, upon information and belief, the Blackberry Valley Landfill (“the Landfill”) was permitted and operated by the Greater Greenville Sanitation Commission as a municipal solid waste facility from 1976 to 1980.

WHEREAS, from July of 1981 until 1988, the County of Greenville (“the County”) operated the Landfill as a municipal solid waste disposal facility on approximately 90 acres on a total site of 198.08 acres.

WHEREAS, volatile organic compounds (VOCs) were detected in drinking water wells near the Site in 1989.

WHEREAS, the Department and the County entered into two separate agreements relating to the Site: (1) Consent Agreement 92-08-SW dated June 1992 (“First Agreement”), and (2) Consent Agreement 02-21-HW dated October 4, 2002, (“Second Agreement”). Pursuant to both the First Agreement and Second Agreement, the County, among other things, has performed response activities at the Site at its expense.

WHEREAS, by letter dated April 15, 1987, the Department determined that APMC’s carbide froth waste was suitable for disposal in the Landfill.

WHEREAS, the Department, pursuant to § 104 of CERCLA and § 44-56-200 of the SCHWMA, has performed response activities at or in connection with the release or threatened release of hazardous substances at the Site. The response activities include, but are not limited to, sampling and analysis of private wells, as well as oversight of the County’s response activities.

WHEREAS, as of August 12, 2004, the Department had incurred Response Costs, as those terms are used in CERCLA §§ 101(23), (24), and (25), to perform and oversee these response activities. These Response Costs total at least one hundred fifty-eight thousand forty-four dollars and eighty-two cents (\$158,044.82), including direct and indirect costs.

WHEREAS, the Department has made claims against various Potentially Responsible Parties (PRPs) including ACMC seeking reimbursement of its past Response Costs incurred at or in connection with the release or threatened release of hazardous substances at the Site.

WHEREAS, the County has agreed to implement the Record of Decision dated March 22, 2001, for the Site pursuant to the Second Agreement.

WHEREAS, ACMC wishes to resolve it's alleged liability to the Department for the Department's past Response Costs and all matters regarding currently known and existing contamination without litigation in order to reimburse the Department a portion of its past Response Costs.

NOW THEREFORE it is hereby agreed that within ten (10) calendar days of the execution date of this Settlement Agreement, ACMC shall pay to the Department by certified or cashier's check the sum of five thousand nine hundred and forty-two dollars (\$5,942.00) in full settlement of the Department's claims against ACMC for response costs incurred or to be incurred by the Department relating to the Site. This settlement includes a 100% premium for release and contribution protection. Once received by the Department, the settlement amount will be placed in the South Carolina Hazardous Waste Contingency Fund pursuant to § 44-56-180 of the SCHWMA (2002). If complete payment of the settlement amount is not received by the Department by the due date, interest shall accrue on the principal balance until such time as the entire amount is submitted. The interest applied to such outstanding balance shall be the rate specified by the federal government for any debts owed.

ACMC specifically denies any legal responsibility for response costs or damages, and does not, by signing this Settlement Agreement, waive any rights which it may have to assert any claims in law or equity against any other person, company or entity not a signatory to this Settlement Agreement with respect to the Site.

The Department agrees that the full payment made by ACMC constitutes a final and complete resolution, satisfaction, release and waiver by the Department against ACMC for all of

the Department's claims for response costs incurred or to be incurred at the Site. Except to enforce payment, the Department covenants not to sue or bring any administrative or civil action under federal, state, or local law against APMC concerning claims for response costs at the Site relating to existing contamination. The Department reserves, and this Settlement Agreement is without prejudice to, all rights against APMC with respect to all other matters, including but not limited to, liability for failure of APMC to meet a requirement and obligation of this Settlement Agreement, and any potential criminal liability. This Covenant Not to Sue extends only to APMC and its subsidiaries, parent corporations, affiliates, divisions, agents, successors and predecessors, and does not extend to any other person or entity. The Covenant Not to Sue set forth herein does not pertain to any matters other than those expressly specified herein.

It is further agreed pursuant to CERCLA §§ 113(f)(2) and 122(g)(5), that APMC shall not be liable to other potentially responsible parties at the Site for claims for contribution regarding matters addressed in this Settlement Agreement. Contribution protection does not extend to claims that the United States of America or any of its departments or agencies have or may have against APMC. Such protection is conditioned upon APMC's compliance with the requirements of this Settlement Agreement. In order to provide contribution protection pursuant to CERCLA, this Settlement Agreement shall be subject to a 30-day comment period. This comment period for contribution protection commences upon publication of this Settlement Agreement in the South Carolina State Register. Notice of the comment period occurs after APMC signs this Settlement Agreement and prior to its full execution by the Department. The Department reserves its right to withdraw from this Settlement Agreement if any comments received during the 30-day period disclose facts that indicate that this Agreement is inappropriate, improper, or inadequate, or not protective of the public health, welfare, or the environment.

In consideration of the Department's covenant not to sue, APMC agrees not to assert any claims or causes of action against the Department, its attorneys, agents, contractors, or

employees, arising out of activities undertaken at the Site or matters addressed in this Settlement Agreement or to seek other costs, damages, or attorney's fees relating to activities at the Site.

This Settlement Agreement applies to and shall inure to the benefit of each signatory and its subsidiaries, parent corporations, affiliates, divisions, agents, successors, and assigns, and upon any successor agency of the State of South Carolina that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.

Nothing in this Settlement Agreement is intended to be, or shall be construed as, a release or covenant not to sue for any claim or cause of action, administrative or judicial, civil or criminal, past or future, in law or equity, that the Department may have against ACMC for any matter not expressly included in this Settlement Agreement or against any person, firm, corporation, potentially responsible party, or other entity not a signatory of this Settlement Agreement.

The effective date of this Settlement Agreement is the date that the final party executes this settlement by its signature.

IT IS FURTHER AGREED that failure to meet the deadlines established herein or any other violation of the provisions of this Settlement Agreement or applicable law may be deemed a violation of the South Carolina Hazardous Waste Management Act, the South Carolina Pollution Control Act, or both, and therefore, may be deemed unlawful. Upon ascertaining any such violation, appropriate action may be initiated by the Department in the appropriate forum to obtain compliance with the provisions of this Settlement Agreement and the aforesaid Acts.

Signatories Continued on Page 6

**THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL
CONTROL**

DATE: _____
Columbia, SC

BY: _____
C. Earl Hunter, Commissioner

DATE: _____

BY: _____
Hartsill W. Truesdale, P.E., Chief
Bureau of Land and Waste Management

DATE: _____

APPROVED BY: _____
Office of General Counsel

WE CONSENT:

ADVANCED COMPOSITE MATERIALS CORPORATION

DATE: _____

Jan 14, 2005

BY: _____

[Signature]